Performance Payout Distribution

Salary Split Based on Range Penetration

Payout Distribution

- **Effects of using a “default split” approach**
- **Example of a range penetration approach**
- **Applying a range penetration approach**

Payout Distribution
Effects of using a default split

- **Default Split drives pay at the extremes even farther apart**
  - Impedes ability to achieve pay equity
  - Rewards longevity even more than the General Schedule

- **Payout distribution decisions should also consider:**
  - Current base salary in relation to appropriate rate range
  - Current base salary, level of responsibility and complexity of work performed in comparison with others in similar work assignments;
  - Performance-based compensation received during the rating cycle associated with promotions, reassignments, or awards;
  - Salary levels of occupations in comparable labor markets;
  - Attrition and retention rates of critical shortage skill personnel;
  - Expectation of continued performance at that level;
  - Overall contribution to the mission of the organization; and
  - Composition of the pay pool fund.

Payout Distribution Comparison

Average share value – impact at 2 shares

Pay Pool Share Value = 2.7057%

DLA Avg Share Value = 2.5957%

GS Grade if not converted	GS Step if not converted	Shares	Default Split Approach %	GS %	Range Penetration Approach %	Default Split Approach $	GS $	Range Penetration Approach $
12	1	2	4.7%	5.9%	6.5%	$2,416	$3,405	$3,794
12	5	2	4.7%	4.4%	4.9%	$2,732	$2,878	$3,196
12	7	2	4.7%	3.9%	4.0%	$ 2,875	$2,701	$ 2,797
12	10	2	4.7%	2.9%	3.9%	$3,093	$2,156	$2,929
14	1	2	4.7%	5.9%	6.4%	$3,825	$4,784	$5,298
							$3,42	

Payout Distribution Comparison

Below average share value – impact at 3 shares

Pay Pool Share Value = 2.1654%

DLA Avg Share Value = 2.5957%

GS Equiv if not converted	GS Step if not converted	Shares	Default Split Approach %	GS %	Range Penetration Approach %	Default Split Approach $	GS $	Range Penetration Approach $
14	03	3	5.2%	5.9%	7.0%	$4,532	$5,103	$6,106
15	05	3	5.2%	4.4%	6.9%	$5,757	$4,757	$7,686
11	09	3	5.2%	3.9%	4.3%	$3,177	$2,379	$2,653
15	10	3	5.2%	2.9%	4.3%	$6,443	$3,596	$5,380

Payout Distribution
Range Penetration Approach

- **New business rule follows conventional wisdom for compensation**
  - Range penetration becomes the basis for *initial* salary split
    - Employees at the lower end of the range get more toward salary
    - Those near the top of the range get more toward bonus

- **Range penetration indicates *current salary in relation to appropriate rate range***

(salary-minimum) / (maximum-minimum)=Range Penetration

($75,841 - $68,625) / ($89,217 - $68,625) = 35.04%

- **Additional consideration limited to:**
  - Current base salary, level of responsibility and complexity of work performed in comparison with others in similar work assignments;
  - Performance-based compensation received during the rating cycle associated with promotions, reassignments, or awards;
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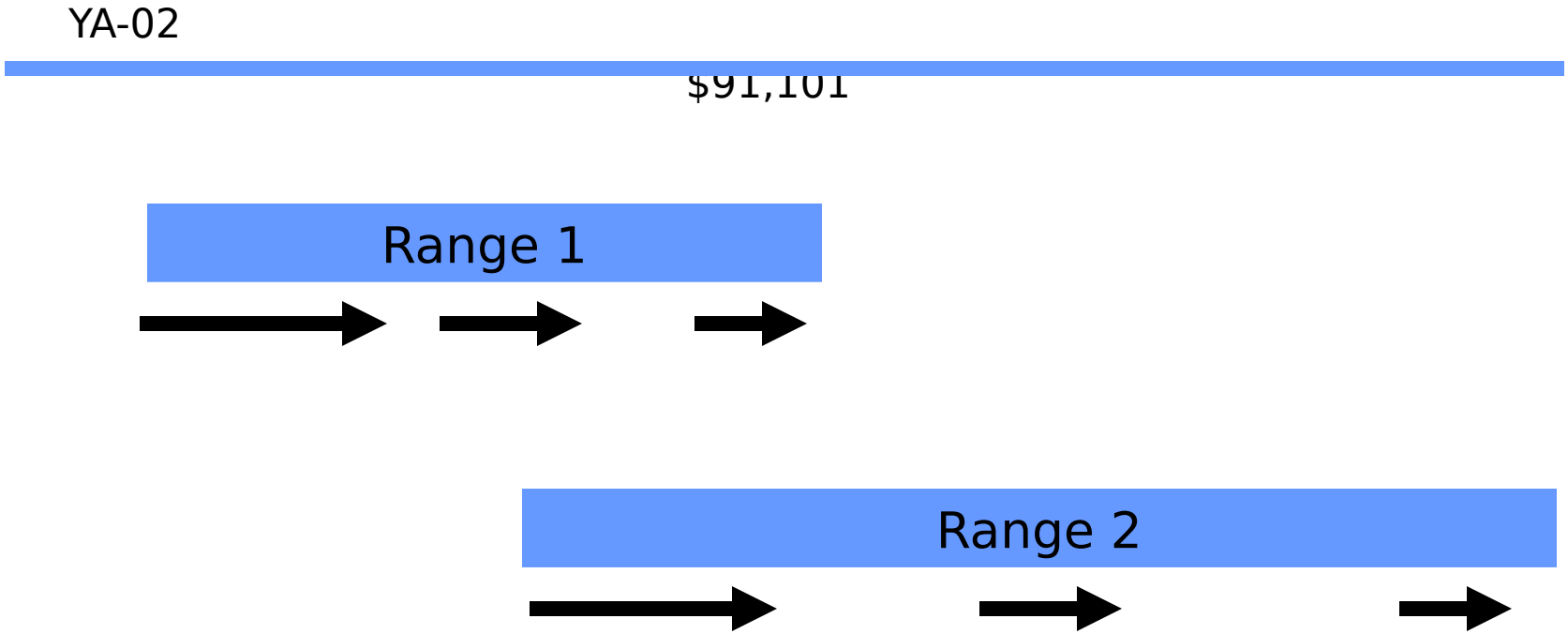
Range Penetration Approach

What it is not

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	WITHIN GRADE AMOUNTS
1	17046	17615	18182	18746	19313	19646	20206	20771	20793	21324	VARIES
2	19165	19621	20255	20793	21025	21643	22261	22879	23497	24115	VARIES
3	20911	21608	22305	23002	23699	24396	25093	25790	26487	27184	697
4	23475	24258	25041	25824	26607	27390	28173	28956	29739	30522	783
5	26264	27139	28014	28889	29764	30639	31514	32389	33264	34139	875
6	29276	30252	31228	32204	33180	34156	35132	36108	37084	38060	976
7	32534	33618	34702	35786	36870	37954	39038	40122	41206	42290	1084
8	36030	37231	38432	39633	40834	42035	43236	44437	45638	46839	1201
9	39795	41122	42449	43776	45103	46430	47757	49084	50411	51738	1327
10	43824	45285	46746	48207	49668	51129	52590	54051	55512	56973	1461
11	48148	49753	51358	52963	54568	56173	57778	59383	60988	62593	1605
12	57709	59633	61557	63481	65405	67329	69253	71177	73101	75025	1924
13	68625	70913	73201	75489	77777	80065	82353	84641	86929	89217	2288
14	81093	83796	86499	89202	91905	94608	97311	100014	102717	105420	2703
15	95390	98570	101750	104930	108110	111290	114470	117650	120830	124010	3180

Range Penetration Approach
What it really does



Range Penetration Approach

Is it really new?

Grade	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
1	3.3%	3.2%	3.1%	3.0%	1.7%	2.9%	2.8%	0.1%	2.6%
2	2.4%	3.2%	2.7%	1.1%	2.9%	2.9%	2.8%	2.7%	2.6%
3	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
4	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
5	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
6	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
7	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
8	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
9	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
10	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
11	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
12	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
13	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
14	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%
15	3.3%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	2.6%

Applying Range Penetration
Converting to salary split %

Current Salary As of 30Sep08	Range Minimum Anticipated 2009 Step 1	Control Point Anticipated 2009	Range Penetration Salary-Min CP-Min	Inverse Penetration 100%-RP	Global Factor Adjusts IP	Salary Split Percentage Global Factor x IP 40% minimum
$60,004	$57,709	$79,690	11.2%	.888	.956	85.2%
$36,870	$44,332	$60,516	- 46.1%	1.0 (1.461)	.956	95.6%
$84,419	$69,421	$94 765	58.4%	.592	.956	56.6%
$84,419	$69,421	$91,801	66.0%	.400 (.330)	.956	40.0%